

THIS AMENDMENT:		
_____ Passed _____	Passed as amended by _____	
_____ Failed	_____ Not Offered	_____ Withdrawn

GLEASON PROPOSED SUBSTITUTE AMENDMENT # 5

DATE PREPARED: December 17, 2004

COMPANY: UniSource Energy Corporation

DOCKET NO. E-04230A-03-0933

OPEN MEETING DATE: December 20, 2004

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FINDINGS OF FACT

Page 43-44, DELETE existing Findings of Fact 22-23. INSERT new Findings of Fact 22-24:

- “22. After the proposed Merger, it is proposed that Saguaro Holdings have a Board of Directors consisting of at least 3 members. Messrs. Pignatelli and Rentschler are expected to serve on the Saguaro Holdings Board of Directors after the Merger. Saguaro Holdings also intends to add a third Director with experience in regulated utilities.
- 23. UniSource would have a Board of Directors comprised of at least five members, with three of the members being the same as the directors at Saguaro Holdings and two being independent of Saguaro Holdings and the Investors.
- 24. TEP, UES, UNS Gas and UNS Electric would each have a Board of Directors comprised of at least seven members, with five of the members being the same as the directors at UniSource and two being independent of UniSource, Saguaro Holdings and the Investors.”

Renumber to conform.

Page 46, after line 22, INSERT new Findings of Fact 41-45.

- “41. In its Exceptions, the Applicant agreed to numerous additional concessions.
- 42. Applicant has agreed to accept all of Staff’s conditions as set forth in Exhibit C.

43. Applicant agreed to provide an additional \$12.5 million of “economic benefits.” From this \$12.5 million, Applicant agrees to contribute an additional \$2.5 million above its historic charitable and community corporate giving program levels between 2005 and 2008. The remaining \$10 million would fund programs approved by the Commission for use between 2005 and 2008. The Applicant recommends that the funds be used for demand side management projects and low income assistance programs.
44. Applicant agrees to make changes to the limited partnership arrangements and membership of the Boards of Directors as set forth in this Order.
45. As discussed in this Order, Investors have agreed to revised consent rights to be included in the limited partnership agreement.”

Renumber to conform.

Page 46, DELETE existing Findings of Fact 40-47. INSERT new Findings of Fact 46-52.

- “46. Ratepayers will realize real benefits as a result of TEP’s increased equity resulting in an actual capital structure of 60/40, significantly strengthening TEP’s financial status and providing access to more favorable terms in the capital markets.
47. While it is possible that TEP would achieve a 60/40 debt/equity ratio within three to seven years in the absence of the proposed Merger, the transaction provides the certainty of achieving that result within the time frame previously set by the Commission in prior decisions.
48. UniSource’s commitment to fund a Commission-sponsored audit of management and operations will permit an enforceable determination of the appropriate expenditure levels to maintain the system reliability of the utilities.
49. Failure to approve the Merger may adversely affect UniSource and its utility subsidiaries ability to obtain financing on reasonable terms or attract capital.
50. The Conditions agreed to by Applicant and set forth in Exhibit B to this Decision create substantial commitments from UniSource and its utility subsidiaries that will benefit ratepayers.
51. The proposed transaction will not impair the financial status of TEP, UNS Gas or UNS Electric; prevent TEP, UNS Gas or UNS Electric from attracting capital at fair and reasonable terms; or impair the ability of TEP, UNS Gas or UNS Electric to provide safe, reasonable and adequate service.
52. The proposed transaction is in the public interest.”

Make all conforming changes.